



House Bills 4350 & 4351

My name is Greg Schmidt, President & CEO of Pentastar Aviation. Pentastar has been a leader in business aviation for over 50 years, providing aircraft management, advisory services, maintenance, avionics and interior services, award-winning executive terminal facilities, and private jet charter operated through Pentastar Aviation Charter, Inc.

Established in 1964 – originally as the internal flight department for the Chrysler Corporation – Pentastar Aviation has grown dramatically over the years to support the ever-evolving air travel industry. Today, our operations include a wide range of products and services designed to serve individuals, corporations, sports teams, and the air ambulance industry. Our team of more than 200 employees are highly skilled, professionally trained, and committed to delivering the highest standards of safety and service excellence.

Pentastar is currently serving regional and global travelers from our headquarters at Oakland County International Airport in Waterford, as well as operations at both Detroit Metropolitan Wayne County International Airport in Romulus and the Coleman A. Young International Airport in Detroit.

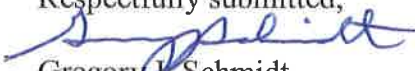
I am here today to express support for House Bills 4350 and 4351 which would give Michigan-based aviation companies like Pentastar an opportunity to compete on a level playing field with our neighboring states and many states around the country. The 6% sales tax levied against aviation parts for Michigan-based aircraft not only impacts our ability to sell parts but puts us at a comparative disadvantage for work scopes that include parts *and* labor because the aircraft owners find it advantageous to take the entire work scope elsewhere. Allow me to explain by way of two concrete examples.

A long-time customer came to our Director of Maintenance Operations to purchase two engines totaling \$900,000 for their King Air 350 in 2015. They thought they could be exempt from the taxes as their corporate address was out of state. When they realized the aircraft technically spent more than 50% of its time in Michigan and may be liable for \$54,000 in sales taxes, they elected to take the aircraft to a facility they were familiar with in North Carolina instead. They performed what is known as a “fly-away exemption” to ensure tax-exempt status. In addition to the engine sales, there was a loss of roughly 120 hour of labor sales and revenue of roughly \$12,000 to *install* the engines.

In a second example, our Director of Interior Services was working with a locally-based Falcon 50 that was going to refurbish their interior with a new cabin shell, windows, seat mechanisms, lighting, galley equipment, entertainment system and new wood veneer and upholstery. The materials and parts totaled approximately \$400,000 and estimated labor was around 2,500 hours or approximately \$247,000. It was competitively quoted but the customer wanted a concession to cover his tax liability of approximately \$24,000. Unable to discount the work that deeply due to the size and risk of the project which was bid at a firm fixed price, the job was lost and it was relayed to our Director that it was because of the direct impact of the sales taxes.

In conclusion, I would like to reiterate our Michigan-based company is not here seeking preferential treatment, but merely the legislature’s assistance in creating a level competitive playing field in which we can survive and thrive.

Respectfully submitted,


Gregory J. Schmidt
President & CEO